



A New Generation of Energy

July 3, 2007

Arnetta McRae, Chair
Jaymes B. Lester, Commissioner
Joann T. Conaway, Commissioner
J. Dallas Winslow, Commissioner
Jeffrey J. Clark, Commissioner
Delaware Public Service Commission

John A. Hughes, Secretary
Delaware Department of Natural Resources and Environmental Control,
Delaware Energy Office

Jennifer W. Davis, Director
Office of Management and Budget

Russell T. Larson, Controller General
Office of the Controller General

Re: PSC Docket No. 06-241

Dear Chairwoman McRae, Commissioners and Representatives of the Other
State Agencies:

I believe it is important that I briefly address two issues that have been raised by various parties in response to the section of our Petition for Rehearing where we ask permission to submit a wind proposal.

First, there are those who have said that Conectiv Energy should not be permitted to submit a competitive wind proposal at this time because we did not submit a wind component as part of original submission. When the RFP was approved and issued it appeared that the State Agencies interpretation of the price, price stability, environmental and other non-price factors listed in the Delaware Electric Utility Retail Customer Supply Act of 2006 ("EURCSA") was defined by the RFP evaluation scoring criteria and scoring system. We proposed what we thought was the best response possible to that scoring system with a cost-effective environmentally clean natural gas-fired combined cycle plant. Two separate independent evaluators came to the same conclusion. We had no reason to suspect that projects of different characteristics and size were actually

being sought. If we had been privy to that preference we would have proposed a different project.

In the May 22 Order the State Agencies decided that the EURCSA standards are best met, not by the approved RFP scoring system, but by a hybrid approach of a wind project and a back up gas project. Within that Order the State Agencies said, "if a bidder seeks to change its project to make it more price-stable, reliable or otherwise acceptable under the EURSCA standards, we do not see why it should not be permitted to do so". Our request for permission to submit a competitive wind proposal is in direct response to the State Agencies' invitation to change our project to make it acceptable under the State Agencies' determination of the EURSCA standards.

Secondly, there are those who assert that Conectiv Energy is just trying to disrupt the process. Conectiv Energy is a competitive business and we have asked to be allowed to compete for a wind project because we are serious about proposing such a project. In preparation for a favorable and appropriate outcome of our Petition, we have already assembled a team that is built around credit-worthy entities with a history of successfully constructing and operating large generating facilities. To date our team consists of:

- Conectiv Energy, with whom you are familiar, owners of 3,700 MW of capacity (50% in Delaware) representing \$1.3 billion of assets,
- Tenaska, Inc., which has developed, financed and constructed over 9,000 MW of capacity in its 20 year history from Washington State to Virginia, who have won numerous national awards for their projects, and are ranked by Forbes Magazine as the 16th largest (by revenue) privately held company in the United States, and
- Wind Energy Systems Technology (WEST) whose founders have over 40 years experience in building off-shore platforms, hold over 80 patents concerning off-shore construction and operation, and who is the first firm in the United States to receive a permit to build an offshore wind farm (a 300 MW wind farm off the coast of Texas).

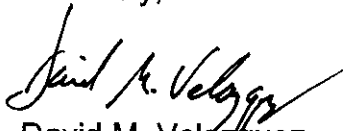
We intend to continue adding to this team if we are permitted to submit a wind proposal.

If the State Agencies' hybrid concept is eventually implemented we estimate that a wind farm will cost well over \$1 billion dollars. Notwithstanding the size and scope of this project it is being procured on a sole source basis. Conectiv Energy is seeking to modify its offer to turn the current sole source contracting

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effort into a competitive contracting effort. Since the leases for the wind park will not be ready for auction until at least 2008 there is no benefit to be gained by rushing through this process without taking advantage of the opportunity for competition. We believe that Delmarva's ratepayers and Delaware's citizens have everything to gain by taking advantage of the timeline and making this a competitive process.

Sincerely,

A handwritten signature in black ink, appearing to read "David M. Velazquez", with a stylized flourish at the end.

David M. Velazquez
President & Chief Executive Officer
Conectiv Energy

cc: Anthony C. Wilson, Associate General Counsel
Delmarva Power & Light Company